



# **Blue Cross Blue Shield of Michigan**

## **House Health Policy Overview**

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Blue Cross Blue Shield of Michigan and Blue Care Network HMOs are independent licensees of the Blue Cross and Blue Shield Association

# BCBSM: Who Are We?



- BCBSM is a Michigan based non-profit corporation that has been providing health care coverage in Michigan for 70 years.
- We are the largest (membership, revenue, and benefit pay-out) not-for-profit Blues plan that operates solely in a single state, employing over 7000 employees in Michigan.
- BCBSM is located in every zip code; offering coverage in the individual, small and large group markets.
- We provide access for affordable coverage to over 4.7 million people throughout Michigan, covering approximately \$20 billion in claims, annually.
- BCBSM is an independent licensee of the Blue Cross Blue Shield Association.

# BCBSM Market Segments



- ASC (self-insured) Customers: 3.2 million
- Medium/Large Group Insured Customers: 576,000
- Small Group Customers: 523,000
- Individual Business Customers: 396,000
- Total Customers 4.7 million

# Subsidiaries



## Blue Care Network

- Established in 1975 with the purchase of small health plans in east and mid-Michigan, Blue Care Network of Michigan is a wholly owned subsidiary of Blue Cross Blue Shield of Michigan.
- BCN serves nearly 650,000 members through a network of more than 14,000 primary care physicians and specialists. The health plan is offered in more counties than any other HMO in Michigan.
- BCN coverage includes routine physical exams, immunizations, well-child care, mammography screening, inpatient hospitalization and prescription drug coverage options.
- BCN participates with BlueCard®, a national network of Blue plans, so members are covered when they travel or live temporarily outside Michigan. To meet diverse group and member needs, BCN offers a number of flexible
- With its emphasis on keeping members healthy, BCN introduced one of the first wellness products of its kind in the nation with Healthy Blue Living.

# Subsidiaries



## LifeSecure

- Founded in 2005 and headquartered in Brighton, Michigan, LifeSecure provides individual insurance policies for long-term care, including nursing home and in-home care.
- LifeSecure's primary mission is to make long-term care less complicated and more accessible.
- Long-term care (LTC) insurance is designed to help pay for services that are not typically covered by health insurance plans, including Medicare.
- The insurance covers assistance with daily living, including bathing, dressing and daily nutrition – whether the care is provided at home, at a nursing facility, or in an adult day care or hospice setting.
- The insurance also provide benefits for care provided at home by a family member or friend.

# Subsidiaries



## Accident Fund Insurance Company of America

- Accident Fund Insurance Company of America, headquartered in Lansing, is the largest provider of workers' compensation insurance in Michigan and the tenth-largest in the United States.
- AFICA is licensed in 49 states, plus the District of Columbia. The company employs over 700 people, the majority of whom live and work in Michigan.
- Accident Fund plays an important role in carrying out BCBSM's mission of providing affordable health insurance to its members. The company's profits help to subsidize BCBSM's operating costs, enabling the us to keep our average annual margin on health care at less than one-tenth of one-percent.
- Since 1995, Accident Fund's profits have accounted for more than 34 percent of BCBSM's income, and BCBSM has achieved a nearly 300 percent return on its investment from the purchase.

# PA 350:Philosophical Intent



## Philosophical Intent of PA 350

1. Provide access to affordable care and accept applicants regardless of health status.
2. Provide explicit Social Mission expenditures to those most in need, including seniors and children.

## Current Statutory and Regulatory Framework to Manage Philosophical Intent

1. To provide access to affordable care, BCBSM cannot reject individuals and must community rate individual premiums (i.e. identical premiums for all members with the same product). Premium increases are based on a prior approval process.
2. Social Mission funding is directed to seniors through Medigap and to individuals transitioning from employee coverage through Group Conversion products

# Social Mission Commitments



- Our Social Mission spending (\$539 million in 2010) far outweighs our tax equivalent value in Michigan.
- We serve nearly 250,000 Medicare-eligible individuals and subsidize their Medigap insurance coverage, at a cost of nearly \$186 million in 2009 alone.
- BCBSM provides \$15.5 million in administrative costs we do not bill back to the state to cover low-income children through the state's MIChild program.
- On average, the Blues' contribute nearly \$150 million to support uncompensated care coverage in the Michigan hospital system each year.
- We have reached over 6,000 elementary and middle school students through our school-based health awareness initiatives.
- The Blues' have provided \$6.0 million in grants to 55 free clinics across the state over the past six years.



# Extensive Provider Networks



At BCBSM, we provide our customers access to high-quality provider networks and value over and above health care coverage.

## **Our extensive networks ensure our Members Access to:**

- All acute-care hospitals in the state;
- Nearly 30,000 participating physicians and other medical professionals in Michigan;
- More than 750,000 physicians and other medical professionals, nationwide, through the BlueCard® program;
- High-quality medical services and supplies through our strong partnerships with select medical vendors; and
- Cost-effective pharmaceutical drugs and Blue Distinction® specialty care facilities for things like bariatric surgery, cardiac care, transplants, and rare cancers.



## **We stretch the health care dollar by providing:**

- Fraud investigations and recoveries through our Corporate and Financial Investigations Unit
- Healthy Blue Living wellness options
- Provider audit reviews
- Lower benchmarked administrative costs
- Physician Group Incentive Program (PGIP) payments to Michigan provider groups
- Physician incentives through Pay-For-Performance programs
- Collaborative Quality Incentives (CQI's) for hospital and provider community

# Building Value Partnerships



Our value-added programs and collaborative quality initiatives with hospitals and physician organizations are helping Michigan lead the way in controlling health care costs and improving health outcomes.

- BCBSM provider discounts help to save our customers over \$1.5 billion in dental and pharmacy and over \$8.0 billion in hospital costs, each year.
- Out of each premium dollar, approximately 92 cents is used to cover actual medical claims. The balance helps to keep the business running.
- Our partnerships with select medical vendors who provide high-quality medical services and supplies to our customers, have helped to reduce inappropriate use of services and saved over \$300 million over the past five years.
- The Blues' prescription drug programs have produced significant savings for group customers and members, equating to over \$190 million, annually.

# Physician Group Incentive Program (PGIP)



- One of the largest, most successful programs in the U.S., BCBSM's PGIP brings together over 8,000 physicians and specialists across the state. Participants work on initiatives aimed at improving the quality of the state's health care delivery system.
- Provider efforts to collect data, share information and collaborate on patient care are helping to vastly improve Michigan's health care system.
- The more than 20 PGIP initiatives range from service-focused delivery, like radiology utilization management; to clinical focused services, like evidence-based health care tracking.
- Evidenced-based medical treatments continue to decrease variability in care delivery, improve quality and reduce costs.

# Patient-Centered Medical Homes



- Nearly 300 primary care practices and over 1,200 primary care physicians across Michigan have received PCMH designation by BCBSM.
- The PCMH model focuses on the overall health and wellness of each patient – everything from diet and nutrition, to holistic medicine, testing, and monitoring of prescriptions and provider services.
- The program also includes incentives for patients to follow the recommendations of their health care providers.
- In exchange, BCBSM provides participating doctors increased fees for the added time they invest managing patient care.
- By promoting wellness incentives to both the provider and the patient, the PCMH model is working to dramatically improve quality, lower costs, and increase satisfaction.

# Pay-for-Performance (P4P)



- Developed in collaboration with hospital leaders and physicians in 1989, the P4P program includes initiatives aimed at enhancing quality and efficiency.
- Michigan hospitals are evaluated on efficiency, commitment to patient safety, performance on recognized quality indicators, and participation in our Collaborative Quality Initiatives (CQI's).
- CQI's are gaining recognition as an effective payer-provider partnership that benefits the entire health care community and addresses some of the most common and costly areas of surgical and medical care: bariatric surgery, vascular health, cardiac care, complex and rare cancers, and transplants.
- Individual hospitals can earn up to 6-percent in incentives, in addition to payments for their performance on a series of quality measures.

# MHA Keystone Center & the Blues'



- Established in 2003, the Keystone Center aims to bring hospitals together with national experts in an effort to improve health care quality and patient safety.
- Last Summer, BCBSM expanded its partnership with Keystone through a second, five year investment of \$6 million.
- Funding for the Keystone Center project will help to support initiatives aimed at reducing hospital infections, ventilator-associated pneumonia, and medical errors. Grant dollars are also aimed at emergency room procedures and improving care for mothers and their newborn babies.
- Over the past 5 years, MHA Keystone's first major initiative (CA-ICU) has resulted in 1,830 lives saved, 140,700 excess hospital days avoided and \$271 million in savings.

# The 'Dollars and Sense' of Wellness



- The cost of physical inactivity in Michigan is estimated at nearly \$9 billion.
- BCBSM BlueHealthConnection®, was created as a comprehensive care management program for BCBSM members and plays a key role in promoting health and wellness.
- Key features of the program include: chronic disease and condition management; health and wellness discounts; a nurse support hotline; and online health education, assessment, and coaching tools.
- Results of the annual 2009 BlueHealthConnection® Satisfaction Survey indicated that more than 8 in 10 users agree that the program is working to positively impact their ability to manage their own health.
- Disease and case management services available under BlueHealthConnection® helped to save \$90 million in 2009.



# Current Rating and Underwriting Practice



## BCBSM

## HMOs

## Commercials

### Rate Approval Process

Prior Approval & Rate Hearings

File & Use – 60 Days

File & Use 30 Days

### Guaranteed Issue of Coverage

Yes

1 Month Each Year

None

### Medical Underwriting

None

None during 1 month; can 11 months out of year

Can Exclude Coverage for Specific Health Conditions

### Rating Factors

Community Rated – Majority  
Age Rated - Limited

Age, Gender, Geography, Occupation

Health Status, Age, Gender, Geography, Occupation

### Rating Bands

Community Rating – None  
Age 4-1

No Limit

No Limit

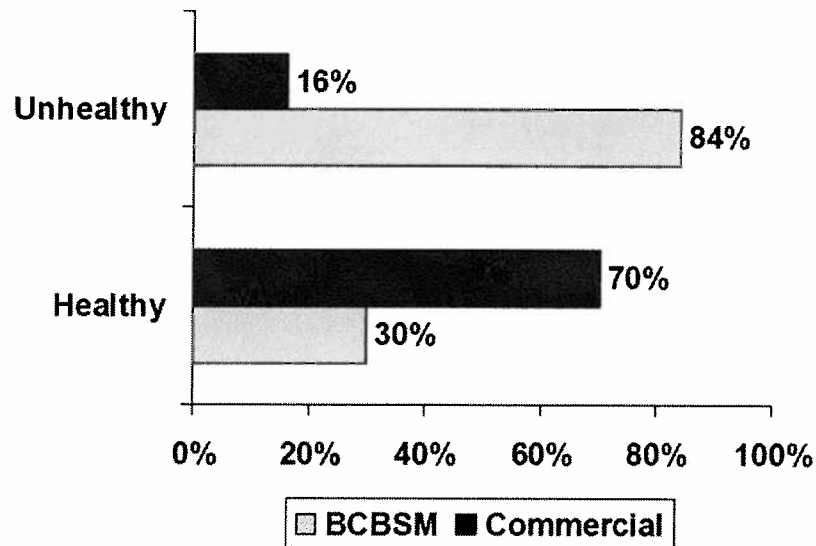
# Individual Market Pools

## BCBSM vs. Commercial

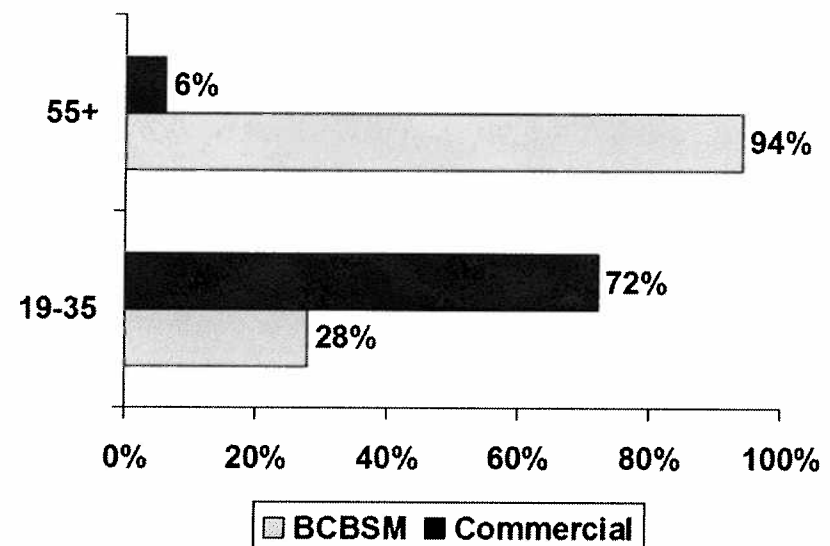


**BCBSM pools have older, less healthy members**

**Percent of Individual Market by Health Status**



**Percent of Individual Market by Age**



***\* BCBSM's cost per member is four times higher than commercial carriers***

# Overview of National Health Reform Provisions



## 2010-2013

## 2014+

### **Insurance Reforms**

High Risk Pool; Benefit Changes; Retiree Reinsurance; Minimum Loss Ratios; and Patient Protections

Guaranteed Issue; Community Rating (Age 3:1); and Exchanges

### **Individual Responsibility**

Must purchase minimum coverage (penalty phases up to \$695 or 2.5 percent income in 2016)

### **Employer Responsibility**

(>50 Employees) Must offer minimum coverage (penalty: \$2,000 per employee per year)

### **Exchanges**

Exchange active (individual/small group), subsidies to 400 percent Federal Poverty Level, off-exchange selling allowed “tied” to exchange rules

# Overview of National Health Reform Provisions



**2010-2013**

**2014+**

## **New Plans**

Co-ops available, Multi-state plans Office of Personnel Management contracts – life Federal Employees Health Benefits Program, Basic Health Plans for 133-200 percent FPL

## **Medicare**

Medicare Advantage Funding;  
Close the Donut Hole; and  
Medicare Payment System

## **Medicaid**

Expansion to 133 percent FPL,  
access/pharmacy discounts, Children's  
Health Insurance Program

## **Taxes and Funding**

Drug Manufacturer (2011),  
Equipment Manufacturers (2013),  
Hospital Insurance Tax for high  
income (2013)

Insurer Tax (2014), Cadillac Tax  
(2018)

# Ongoing Challenges



- **Compliance** – A new set of rules and a new regulatory body, in addition to a current set of outdated and cumbersome state statutory provisions
- **Uncertainty** – Emerging regulation and guidance over next months and years
- **Workload** – Making the necessary changes to benefit plans, systems and processes
- **Benefit Costs** – Coverage shifts and payment reform will create pressure financial on provider community
- **Taxes and Assessments** – Additional cost (and price) of doing business; specific additional taxes for BCBS nonprofit plans. For BCBSM, the assessment would equate to approximately \$135 million, annually.
- **Minimum Loss Ratios** – Administrative cost structure and managing year-to-year volatility



# Questions?